EXCISE
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ACTION AF-18

INFO OCT-01 SS-20 NEA-08 EUR-12 NSC-10 NSCE-00 INR-07
CIAE-00 NSAE-00 E-04 PM-03 L-02 OEP-01 RSR-01 RSC-01
/088 W

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R 171050Z OCT 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 7028
INFO USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
R OM/AMEMBASSY LONDON 1324
NMBASSY LONDON 1324
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY THE HAGUE
USMISSION EC BRUSSELS
RUFHNA/USMISSION NATO 52
USCINCEUR/GER
USMISSION/OECD/PARIS

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cj DATE 8/7/81
PORTIONS DENIED AS INDICATED

Unpaid 2470 10/12/70

(1)

C O N F I D E N T I A L TRIPOLI 2470

LIMDIS

SUBJ: POSTED PRICE NEGOTIATIONS CONCLUDED

REF: TRIPOLI 2433 (NOTAL)

1. SHELL CONCLUDED TAX-PRICE SETTLEMENT OCTOBER 15 ON TERMS IDENTICAL TO THOSE ACCEPTED BY OTHER OWNERS OF OASIS SEPT 21 (TRIPOLI 2294), INCLUDING INCREASE OF TAX RATE TO 54 PERCENT. SHELL WAS LAST OF MAJOR OIL COMPANIES TO ACCEPT NEW TERMS, AND IN DOING SO

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REVERSED ITS PRIOR REFUSAL (TRIPOLI 2307). SHELL SAYS LIFTING OF LARG'S BAN ON SHIPMENT OF SHELL-OWNED CRUDE WAS NOT DISCUSSED, BUT OASIS TELLS US THAT LARG PETROLEUM INSPECTORS AT SIDR TERMINAL RECEIVED INSTRUCTIONS LATE OCT 15 TO PERMIT EXPORT OF SHELL-CONSIGNED CRUDE. RESTRICTIONS ON OASIS' PRODUCTION LEVEL UNAFFECTED BY SETTLEMENT.

2. AQUITAINE GROUP ALSO AGREED TO 30 CENT PRICE INCREASE OCT 15, [redacted] B1
WE HAVE NO FURTHER INFORMATION, BUT ASSUME THAT, SINCE AQUITAINE IS NOT IN PROFIT POSITION, SMALL AMOUNT DUE FROM RETROACTIVELY APPLYING ROYALITY RATE TO NEW POSTING FROM BEGINNING OF PRODUCTION IN AUGUST 1969 WILL BE PAID IN CASH.

3. PHILLIPS ALONE AMONG OIL PRODUCERS IN LIBYA HAS REFUSED TO INCREASE POSTED PRICE. AS RESULT, IT HAS BEEN BLOCKED FROM EXPORTING ITS MINOR PRODUCTION (3,500 B/D) SINCE OCT 5 (TRIPOLI 2389). HOWEVER, COMPANY HAS CONTINUED TO PRODUCE AT REDUCED RATE, IN COMPLIANCE WITH INSTRUCTIONS FROM MINYPET, WHILE IT HAS ATTEMPTED TO NEGOTIATE SALE OF ITS PRODUCTION ASSETS TO LARG. COMPANY RECOGNIZES THAT SALE VALUE, IF AGREED UPON, LIKELY TO BE CONSIDERED BY LARG AS PAYMENT FOR RETROACTIVITY IT CLAIMS IS DUE ON PAST PRODUCTION -- DESPITE COMPANY'S REFUSAL TO INCREASE POSTING. PHILLIPS ENDEAVORING TO REACH AGREEMENT ALONG THESE LINES TO FACILITATE RELINQUISHMENT OF CONCESSIONS IT IS RETURNING AND TO PROTECT HALF INTEREST IT HOPES TO REGAIN IN ACREAGE HELD JOINTLY WITH LIBYAN ATLANTIC. (RETROACTIVITY CLAIM, INDICENTALLY, IS $450,000 NOT RPT NOT $200,000 AS REPORTED TRIPOLI 2389.)

4. PHILLIPS HAD MADE PROGRESS EARLY THIS WEEK IN CONVINCING LARG TECHNICIANS THAT ITS SMALL OPERATION WOULD BE USEFUL TRAINING GROUND FOR LNOC STAFF, BUT AT MEETING OCT 15 MINPET MABRUK REJECTED OFFER TO NEGOTIATE SALE OF ASSETS, AND TO PROVIDE SOME OPERATIONS TRAINING TO LNOC, AND DEMANDED FULL PAYMENT OF RETROACTIVITY. PHILLIPS AGAIN REFUSED, AND MINPET STATED LARG WOULD ACT BY OCT 17 TO "PROTECT ITS INTERESTS." PHILLIPS IS FEARFUL THIS MEANS SEQUESTRATION OF ITS ASSETS, AS OCCURED IN LARG'S DISPUTE WITH GULF OVER CONCESSION RENTAL PAYMENTS. PHILLIPS HAD FEARED THIS MIGHT BE MINISTER'S REACTION [redacted] B4

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5. COMMENT. APART FROM PHILLIPS' PROBLEM, POSTED PRICE NEGOTIATIONS, BEGUN IN JANUARY ARE NOW OVER. [redacted] B4, B1

[redacted] IT SEEMS TO BE IN LARG'S INTEREST TO TAKE OVER SMALL PRODUCING OPERATION WITH PHILLIPS' COOPERATION. [redacted] B1

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